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CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD



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October 21, 2008

Ms. Donna Heran, Director
San Joaquin County
Environmental Health Department
600 East Main Street
Stockton, CA 95202

RE: FINAL AUDIT REPORT – COUNTY OF SAN JOAQUIN
ENFORCEMENT ASSISTANCE GRANTS: EA15-04-0054; EA16-
05-0018; AND EA17-06-0037

Dear Ms. Heran:

Enclosed is the final report on the audit of San Joaquin County's (County) Enforcement Assistance Grants EA15-04-0054, EA16-05-0018, and EA17-06-0037, awarded for the periods July 1, 2004, through June 30, 2007. Our audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions.

CIWMB congratulates County on the results of this audit. No findings resulted from review of County provided information. Although, this review was selective and any result cannot be applied with certainty to County's grant program as a whole, we believe that this audit report is reflective of County's proper grant administration. This final report is intended for your use only.

If you have any questions regarding this report, please contact George Mendoza, Audit Manager, at (916) 324-1358 or gmendoza@ciwmb.ca.gov.

Sincerely,

Susan Villa, Branch Manager
Fiscal Services Branch
California Integrated Waste Management Board
(Over)

Ms. Donna Heran, Director
October 21, 2008
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Enclosure

cc: Michael Kith, Lead Senior Environmental Specialist, Environmental Health
Department, San Joaquin County
Robert McClellon, Program Coordinator, REHS, San Joaquin County
Mary Phongmany, Grants Administration, CIWMB
Michele Martin, Supervisor, Grants Administration, CIWMB
Corky Mau, Branch Manager, Development and Implementation Branch,
CIWMB
✓ CIWMB Audit Unit Files

San Joaquin County

Enforcement Assistance Grants

Final Audit Report

**Grants EA15-04-0054, EA16-05-0018
And EA17-06-0037**

**For the Periods July 1, 2004
through June 30, 2007**

**Prepared By:
California Integrated Waste Management Board
Audits and Evaluations Unit**

October 2008

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PREFACE

The California Integrated Waste Management Board awarded EA15-04-0054, EA16-05-0018, and EA17-06-0037 Enforcement Assistance Grants to San Joaquin County. These grant agreements were funded by the Integrated Waste Management Account.

The grant agreements were as follows:

Grant Agreement	Amount	Audit Period
EA15-04-0054	\$22,990.82	July 1, 2004 – June 30, 2005
EA16-05-0018	\$22,666.53	July 1, 2005 – June 30, 2006
EA17-06-0037	\$22,674.46	July 1, 2006 – June 30, 2007

The objective of this audit was to determine San Joaquin County's compliance with the grant agreements. The audit also assessed San Joaquin County's compliance with fiscal and statutory requirements, as well as a review of internal controls.

This report is intended for the information and use of CIWMB and San Joaquin County's management. However, this report is a matter of public record and its distribution is not limited.

STAFF:

Carl Coaxum
George Mendoza
Auditors

AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-25A
Sacramento, CA 95814

The Audits and Evaluations Unit conducted an audit of San Joaquin County (County) Enforcement Assistance Grants. Public Resources Code, Section 48657, requires California Integrated Waste Management Board (CIWMB) shall conduct a selective audit of entities to determine whether grants and recycling incentives are being paid out properly. This audit report meets this statutory requirement and is intended for the information and use of CIWMB and County's management.

This audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions for:

- EA15-04-0054, July 1, 2004, through June 30, 2005
- EA16-05-0018, July 1, 2005, through June 30, 2006
- EA17-06-0037, July 1, 2006, through June 30, 2007

To summarize the grant receipts and expenditures, prepared were Statements of Revenues and Expenditures for these agreements executed between CIWMB and County. These Statements were prepared from the County's records and is the responsibility of County's management. The audit responsibility is to provide management reassurance on the propriety of grant payments as represented by these Statements.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide reasonable assurance as to whether the County is compliant with the requirements of the grant agreements. An audit includes examining, on a substantive and control test basis, evidence supporting sample amounts listed in the Statements and grant compliance disclosures.

As part of the audit, the County provided a management representation letter. This letter is to confirm County's representations provided to us explicitly or implicitly, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

Compliance

The Statements represents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement.

As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of the County's compliance with certain regulations and the grant agreements. The results of our tests disclosed noncompliance with the regulations and the grant agreements requirement involving a separate account or subaccount for grant funds and accrued interest. These noncompliance matters, although not deemed significant and/or material to rise to the level of a finding, are fully described in the accompanying Notes to the Statement of Revenue and Expenditures.

Management Controls

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures on the Statement and not to provide assurance on the internal control over financial reporting.

This report is intended solely for the information and use of CIWMB and County management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Susan Villa, Branch Manager
Fiscal Services Branch
California Integrated Waste Management Board
(916) 341-6092

October 21, 2008

STATEMENT OF REVENUE AND EXPENDITURES

**County of San Joaquin
Enforcement Assistance Grants
Grant EA15-04-0054
For the Period July 1, 2004 through June 30, 2005**

		Claimed	Audited	Questioned
Revenue:	\$22,990.82			
Advance 90%		\$20,691.74	\$20,691.74	\$0.00
Final 10%		2,299.08	2,299.08	\$0.00
Grant Total		<u>22,990.82</u>	<u>22,990.82</u>	\$0.00
Interest		375.00	232.00	\$143.00 *
Total Revenue		<u>\$23,365.82</u>	<u>\$23,222.82</u>	\$143.00 *
Expenditures:				
Analysis		\$0.00	\$0.00	\$0.00
Education		\$482.60	\$482.60	\$0.00
Training		\$6,097.84	6,097.84	\$0.00
Equipment		\$15,262.35	\$15,262.35	\$0.00
Transportation		<u>\$2,397.64</u>	<u>2,397.64</u>	\$0.00
Total Expenditures		<u>\$24,240.43</u>	<u>\$24,240.43</u>	\$0.00
Excess of Expenditures over/under Revenue		<u>\$874.61</u>	<u>\$1,017.61</u>	-\$143.00 *

* Interest earned is improperly comingled with all Enforcement Assistance Grant funds into one interest bearing account. For example, interest earned prior to deposit of EA15 advanced grant funds and reported as interest earned was \$59. Then, the accumulated interest earned between grant cycle funds withdrawal and deposit, are included as accrued interest for both grant cycles. This accumulated interest earned after withdrawal of EA17 advanced grant funds is \$23 which is included in EA17 accrued interest and will be forwarded into the EA18 cycle grant fund deposited into the interest bearing account. Therefore, the interest amount claimed on this statement of revenue and expenditures is the amount reported by the grantee, which is overstated by \$143.

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STATEMENT OF REVENUE AND EXPENDITURES

**County of San Joaquin
Enforcement Assistance Grants
Grant EA16-05-0018
For the Period July 1, 2005 through June 30, 2006**

		Claimed	Audited	Questioned
Revenue:	\$22,666.53			
Advance 90%		\$20,399.88	\$20,399.88	\$0.00
Final 10%		\$2,266.65	\$2,266.65	\$0.00
Total		<u>\$22,666.53</u>	<u>\$22,666.53</u>	<u>\$0.00</u>
Interest		\$821.00	\$573.00	\$248.00 *
Total		<u>\$23,487.53</u>	<u>\$23,239.53</u>	<u>\$248.00</u>
Disencumbrance		\$4,651.27	\$4,651.27	\$0.00
Total Revenue		<u>\$18,836.26</u>	<u>\$18,588.26</u>	<u>\$248.00 *</u>
Expenditures:				
Analysis		\$890.00	\$890.00	\$0.00
Education		\$390.00	\$390.00	\$0.00
Training		\$3,217.09	3,217.09	\$0.00
Equipment		\$14,339.17	\$14,339.17	\$0.00
Transportation		\$0.00	0.00	\$0.00
Total Expenditures		<u>\$18,836.26</u>	<u>\$18,836.26</u>	<u>\$0.00</u>
Excess of Expenditures over/under Revenue		<u>\$0.00</u>	<u>\$248.00</u>	<u>-\$248.00 *</u>

* Interest earned is improperly comingled with all Enforcement Assistance Grant funds into one interest bearing account. For example, interest earned prior to deposit of EA16 advanced grant funds and reported as interest earned was \$143. Then, the accumulated interest earned between grant cycle funds withdrawal and deposit, are included as accrued interest for both grant cycles. This accumulated interest earned after withdrawal of EA17 advanced grant funds is \$23 which is included in EA17 accrued interest and will be forwarded into the EA18 cycle grant fund deposited into the interest bearing account. Therefore, the interest amount claimed on this statement of revenue and expenditures is the amount reported by the grantee, which is overstated by \$248.

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STATEMENT OF REVENUE AND EXPENDITURES

**County of San Joaquin
Enforcement Assistance Grants
Grant EA17-06-0037
For the Period July 1, 2006 through June 30, 2007**

		Claimed	Audited	Questioned
Revenue:	\$22,674.46			
Advance 90%		\$20,407.01	\$20,407.01	\$0.00
Final 10%		<u>\$2,267.45</u>	<u>\$2,267.45</u>	\$0.00
Grant Total		<u>\$22,674.46</u>	<u>\$22,674.46</u>	\$0.00
Interest		<u>\$866.00</u>	<u>\$845.00</u>	\$21.00 *
Total Revenue		<u>\$23,540.46</u>	<u>\$23,519.46</u>	\$21.00 *
Expenditures:				
Analysis		\$916.00	\$916.00	\$0.00
Education		\$697.60	\$697.60	\$0.00
Training		\$6,454.41	\$6,454.41	\$0.00
Equipment		\$13,569.81	\$13,569.81	\$0.00
Transportation		\$0.00	\$0.00	\$0.00
Maintenance		<u>\$2,627.68</u>	<u>\$2,627.68</u>	\$0.00
Total Expenditures		<u>\$24,265.50</u>	<u>\$24,265.50</u>	\$0.00
Excess of Expenditures over/under Revenue		<u>\$725.04</u>	<u>\$746.04</u>	-\$21.00 *

* Interest earned is improperly comingled with all Enforcement Assistance Grant funds into one interest bearing account. For example, interest earned prior to deposit of EA16 advanced grant funds and reported as interest earned was \$248. Then, the accumulated interest earned between grant cycle funds withdrawal and deposit, are included as accrued interest for both grant cycles. This accumulated interest earned after withdrawal of EA17 advanced grant funds is \$23 which is included in EA17 accrued interest and will be forwarded into the EA18 cycle grant fund deposited into the interest bearing account. Therefore, the interest amount claimed on this statement of revenue and expenditures is the amount reported by the grantee (grantee calculation error should have been \$868), which is overstated by \$21.

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NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**San Joaquin County
Enforcement Assistance Grant
EA15-04-0054, EA16-05-0018, and EA17-06-0037
For Audit Period of July 1, 2004 through June 30, 2007**

Note 1 Description of the Reporting Entity

San Joaquin County (County), a political subdivision of the State of California governed by an elected Board of Supervisors, exercises the powers specified by the Constitution and statutes of the State. The County's reporting entity includes all significant organizations, departments, and agencies over which its Board exercises oversight and budgeting responsibilities. The County's Environment Health Department had general responsibility for this grant project. The integrated waste management enforcement programs are primarily carried out through Local Enforcement Agencies and the California Integrated Waste Management Board serving as the Enforcement Agency (EA).

Note 2 Program Information

The California Integrated Waste Management Board (CIWMB) administers the California Solid Waste Disposal Regulatory Reform Act which includes the disbursement of Enforcement Assistance Grants from the Integrated Waste Management Fund.

The Legislature enacted the California Solid Waste Disposal Regulatory Reform Act (Public Resources Code Sections 43200 – 43222 and 43230 – 43232). The CIWMB Enforcement Assistance program awards grants to local enforcement agencies to assist in the implementation of solid waste facilities permit and inspection enforcement programs at the local level. The intent of the grant funds is to enhance the Local Enforcement Agencies' programs by providing funds to acquire additional equipment and supplies and provide training and technical support. Effectiveness of the program is measured by monitoring compliance of solid waste facilities and associated enforcement programs.

Note 3 Descriptions of Enforcement Assistance Grants

The County received a grant award in the amount of \$22,990.82 for EA15-04-0054, \$22,666.53 for EA16-05-0018, and \$22,674.46 for EA17-06-0037, to protect public health, safety and the environment with regard to solid waste facilities within the County's jurisdiction. The grant terms covered the overall period July 1, 2004 through June 30, 2007. The County used the grant funds received to perform solid waste permitting and enforcement activities within the County.

Note 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from the County's accounts and financial transactions. The Statement summarizes revenues and expenditures recorded by the County during the reporting period referenced in Note 3. It is further noted that the County did not record the financial transactions in accordance with the Procedures and Requirements of the Grant Agreement for EA15-04-0054, EA16-05-0018, and EA17-06-0037, which contain guidance for the grant.

The Statements summarize the County's transactions pertaining to EA15-04-0054, EA16-05-0018, and EA17-06-0037. They are not intended to represent all of the County's financial activities.

B. Basis of Accounting

The County's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

Note 5 Grant Fund Accounting Requirement

During the performance of this audit, we observed that the County does not govern its Enforcement Assistance Grant Program in accordance with Exhibit B, Procedures and Requirements, for Grant Agreements EA15-04-0054, EA16-05-0018, and EA17-06-0037. Specifically, the funds from these grants must be maintained in separate fund accounts or sub-accounts; such as a separate general ledger (a subsidiary ledger of expenditures and revenues) within the centralized accounting system. Such practices

decrease the risk of duplicate billing, misstatement of revenue and expenditures, misstatement of interest earned, and eases tracing expenditures to the specific grant through the centralized accounting system. This observation was not deemed significant/material to rise to the level of a finding.

Note 6 Accrued Interest

During the performance of this audit, we observed that the County does not govern its Enforcement Assistance Grant Program in accordance with Exhibit A, Terms and Conditions, for Grant Agreements EA15-04-0054, EA16-05-0018, and EA17-06-0037. Specifically, we noted that for the combined period July 1, 2004 through June 30, 2007, funds from each of the grants were not deposited into separate interest bearing accounts. The terms and conditions requires that grant funds be deposited in an interest bearing account. Observed was that accumulated interest after withdrawal of the grant funds are included as interest earned on both the withdrawn grant cycle and on the future deposited grant cycle funds. This duplicate interested earned caused reported revenues to be overstated by \$412 on the three grant cycles. To balance this error, the County had to unnecessarily match this amount with expenditures. This observation was not deemed significant/material to rise to the level of a finding.

